54274

ENRON CORP

P. 0. Box 1188 Houston, Texas 77251-1188 (713) 853-6161

November 22, 1991

RSPA-98-4868-5

Dockets Unit, Room 8417
Research and Special Programs Administration
U.S. Department of Transportation
400 7th street, S.W.
Washington, D.C. 20590

Re: Gas Gathering Line Definition [Docket PS-122, Notice 1] -- Proposed Rulemaking

Gentlemen:

Enron Gas Pipeline and Marketing Group, an operating unit of Enron Corporation, is responding to the referenced rulemaking on behalf of the several commercial pipeline companies that make up the Pipeline Group. The major pipeline companies that are included in this group are Northern Natural Gas Company, Transwestern Pipeline Company, Florida Gas Transmission Company, and Houston Pipe Line Company. These companies operate approximately 38,000 miles of natural gas pipeline which includes, from a functional viewpoint, in the order of 13,000 miles of gathering pipeline. Thus, this proposed rulemaking is of extreme interest and concern to Enron as it has the potential to make a major monetary impact on the referenced operating companies.

From the background information provided with the notice it is indicated that operators and pipeline safety enforcement personnel have had difficulty distinguishing a gathering line from a transmission or distribution line. Speaking on behalf of the referenced operating companies in the Enron Gas Pipeline Group, we have not experienced such a general problem. From our experience it is an exception when we encounter a situation where difficulty exists in classifying a pipeline. Although we cannot speak for difficulties that have been experienced by regulatory agencies or inspectors, weftiitquiteunusualto encounter a controversy or disagreement. Our internal determination of classification has satisfied the auditing agencies.

Even if differences have existed between an operator and an agency on interpretation, that would not seem to substantiate the need for a rulemaking, if the rulemaking will cause a major monetary impact to be experienced by many operators. In order for any change to be justified that will result in large expenditures by operators, it would appear that some public safety issue needs to be quantified, with a rule developed in response to that public safety issue. No such evidence is provided in the supplementary information, and without such evidence, significant resource by both industry and government could be

expended on an issue that will not provide any returns from a cost benefit viewpoint. Redrafting regulations for the sake of inspectors not having to impose their sub-jective judgmentoropinion at times seems to be a rather questionable basis for the proposal. Nevertheless, with the proposal noticed, our thoughts and comments are discussed by general subject category below.

Processing Plant Definition. In the proposed definition, the primary end point of a gathering line is "the inlet of the first natural gas processing plant used to remove liquefied petroleum gases or other natural gas liquids? This introduces rather severe limitations on the "definition" of a processing plant. Further, it appears to be in conflict with the background discussion (Federal Register pages 48507 and 48508) concerning the GPA proposal and RASPA's response to it. Here, GPA attempts to draw a distinction between the treatment of gas and the processing of gas where treatment would normally refer to the removal of constituents which interfere with safe and efficient handling of gas, while the processing of gas would typically refer to the removal of hydrocarbons which have a higher economic value when sold separately. The GPA was attempting to show that gas processing plants were not included within the NGPSA definition of pipeline facilities. RSPA's response stated that it disagreed that the "treatment of gas" does not include the processing of gas. This statement suggests that "processing", i.e. hydrocarbon removal, is only one form of treatment. However, only hydrocarbon removal is being referenced in thedefinition; thus other forms of treatment are being excluded. This also seems to be RASPA's intent as other discussion in the background inform&ion only makes reference to plants removing LPG gases ornaturalgasliquids.

The definition for a gas processing plant found in one industry reference is: a facility designed (1) to achieve the recovery of natural gas liquids from the stream of natural gas which may or my not have been processed throughlease separators and field facilities, and (2) to control the quality of the natural gas to be marketed. This is a generally accepted definition within the industry and thus such a definition should be included in Part 192, and the restrictive qualification of processing included in the proposal, "used to remove liquefied petroleum gases or other natural gas liquids", must be removed. Finally, we believe strongly that the outlet of a process plant must be the point of classification change from gathering to transmission if this alternative is applicable. Breaking on the inlet side of a dehydration plant, for example, would suggest the plant to be transmission, which is in error, unless it is intended that process plants would be exempt, i.e. neither gathering or transmission.

Endpoint--Gas Custody Transfer. With the very narrow definition of gas processing plant (plant used to remove LPG gases or other natural gas liquids) a predominant point that will control the endpoint of a gathering pipeline will be the custody of gas transfer point which in most cases will be the measuring station located adjacent to the wellhead. This would limit gathering facilities for most major interstate gas companies who do perform the gathering function to those very short lengths of pipe from the producer equipment at a wellhead to the company measuring station which typically would be no more than 100 feet from the wellhead. Clearly this cannot be RSPA's intent in the proposal and thus a significant restructuring of the proposal must be done in order

to prevent the unintended result as described. The most feasible way to reconcile this problem appears to be a change of philosophy in how the gathering endpoints are selected. That change would be from a process plant always being the endpoint, if one exists, to operator choice of the most downstream of various alternatives. Thus, the endpoint would be determined by the most downstream of the outlet of a gas processing plant, thepointof custody transfer, the point of last commingling, or the outlet of a compressor station Whose function is to allow or enhance the production of gas. This change would be the closest match for the facilities operated by Enron companies to maintain the current facility classifications. This point has been made very clear and explicit in the background discussion Wherein the following statement is included: It is not the intent of this notice to extend the jurisdiction of Part 192 to cover additional pipelines. That being a primary constraint for this rulemaking, the endpoint determination process must be modified in some manner and one suchwaytoaccomplishthatis outlined in our suggested version of the gathering line definition.

FERC Impact. Requiring those facilities that are subject to the jurisdiction of the FERC under the Natural Gas Act to be transmission facilities under Part 192 is a super-imposed criterion that causes diversion of facility classification from their true function. It might be argued that the classification of facilities by the FERC should be consistent with the Part 192 requirements in that both have a correlation to functionality. Ithasbeenourexperience however, that this is not necessarily the case. Classifications determined by the FERC include consideration of factors beyond strict function, i.e. such things as rate impact, competition, etc. The classification of facilities seems to change with time dependent upon philosophy and importance placed on those factors that do not strictly relate to facility function. This situation has been very clearly demonstrated by a recent 8th circuit court decision involving a Northern Natural Gas Company issue (Northern Natural Gas Company vs. FERC, 943F.2D 1219, 1991). In this case, FERC ratemaking authority over gathering lines Was upheld because of the effect of unregulated rates on the "open access" policy of the commission. With the FERC guidelines changing due to business and market considerations, the classification for pipeline safety purposes must be divorced from the Natural Gas Act and FERC proceedings. If such cannot be accomplished under the current statutes, then the NGPSA must be revised such that the requirements contained therein are uncoupled from the Natural Gas Act or any other act which may have requirements that change with time as a result of nationalpolicywithregardto energy production and transportation. The differences between the FERC and DOT mileages reported by Northern Natural Gas Company illustrates the problem. In 1990, 15,044 miles of pipeline were reported to DOT as transmission on the annual report. Contrasted to this, 16,255 miles of pipe Was reported to the FERC as transmission pipeline. To now change the pipeline mileage under the DOT Pipeline Safety statute to be consistent with the FERC mileage some 1200 miles of pipe Would need to be "converted" and then operated and maintained under the Part 192 requirements. Of even more significance is the impact on compression. All Northern Natural Gas Company compression has been certificated and is thus FERC jurisdictional. However, from a functional standpoint there are in excess of 100 locations containing in excess of 300 units and nearly 300,000 horsepower that from a functional standpoint are clearly gathering and are considered so under the Part 192 regulations. To "convert" these stations to operate under the transmission standards would involve untold millions of dollars, none of which can

be substantiated on a safety basis. In summary then, the Pipeline Safety Act must be divorced from the Natural Gas Act. If this cannot be done with the present regulation, it is suggested that an amendment be attached to the Pipeline Safety Act of 1991 that is presently being considered by Congress.

Requirements for Reclassified Pi-lines. RSPA states under the Impact Assessment section that it believes therewould be very fewpipelinesreclassifiedas a result of the proposed definition. We believe that understanding to be flawed and have addressed it in an earlier section. Further, we note that RSPA suggests that any pipelines that are reclassified to transmission pipelines would only be subject to the operating and maintenance requirements of Part 192. However, that is not what Part 192 requires; Section 192.14 requires testing, design review, operating and maintenance history review, etc. whenever a pipeline that previously was used in a service not subject to Part 192 is to be operated as a pipeline under192. If RSPA intends that the referenced paragraph is not to be appliedto pipelines thatarereclassifiedfromgatheringto transmission under the proposed gathering line definition, then a specific exception must be included in the rulemaking proposed. RSPA's promise to assist pipeline operators in "overcoming any problems encountered in complying with those regulations" is inadequate. It is our recommendation that if a new definition of gathering pipeline is ever concluded, a provision must also be included to "grandfather" the MAOP of those pipeline facilities, [such as was done in the original rules, i.e. 192.619(c)], that change in classification from gathering to transmission as a result of the new definition.

Enron Proposal. As discussed previously, we do not believe that processing plants should automatically denote the endpoint of a gathering line. For example, in some gathering systems small processing plants discharge gas into a much larger gathering system which converges to a point where all the gas is processed, compressed, or introduced into a cross country transportation system. Therefore, we believe strongly that each of the endpoint alternatives should be available for selection, i.e. there should not be a sequential order of applying the various criterion. Intrcducingthis wnceptandourposition that the FERC and DOT requirements must be divorced, we offer the following substitute definition for consideration. This definition closely resembles earlier proposalsbyAPI and INGAA.

> Gathering line means one or more segments of pipeline, usually interconnected to form a network, the primary function of which is to transport gas from one or more production facilities to the most downstream of:
> (a) the outlet of a gas processing plant (excluding straddle plants),
> (b) thepointof custody transfer of gas to a line which transports gas toadistrihtioncenteror a line within such a distribution center, a gas storage facility, or an industrial consumer,
> (c) the point of last commingling of gas from a single field or separate geographically proximate fields, or
> (d) the outlet of a compressor station downstream of the point of last commingling described in (c) when compression is required to allow or enhance the production of gas.

In addition, if it is RSPA's intent to allow reclassification from gathering to tranmissionwithouthaving to meet the conversion requirements of 192.14, then a specific: exemption or waiver must be clearly stated and included in the rule- * This might be accomplished by revision of 192.14(a) as follows: "A steel pipeline previously used in service not subject to this part, except for those gathering pipelines that are reclassified as transmission pipelines as a result of the rulemaking in Docket 192- , (underline indicates addition) qualifies for use under this part if the operator prepares and follows a written procedure to carry out the following requirements". Then, 192.619 must be modified to allow the application of a highest operating pressure to establish MAOP. To accomplish that, the follow- phrase needs to be added to 192.619(a)(3) and (c), "or in the case of reclassified pipelines as aresultof Amendment 192-, the five years preceding July 1, 1992". This would constitute a third qualifying time period for a specific set of pipelines. The two existing relate to the pipelines that existedwhen the initial rules were put into effect, with the second period relating to the time interval that was allowed for offshore gathering lines because those rules were issued in 1976, some 16 years after the issue of the original rules in 1970.

Enron's response to the three questions RSPA included in the notice are addressedbelow.

1. How many miles of pipeline currently classified as gathering lines would have to be reclassified as transmission lines?

   Of the companies in the Enron group, Northern Natural Gas Company would be the company experiencing the most miles of reclassified lines. As noted in earlier discussion, about 1200 miles of pipe would be reclassified from gathering to transmission to achieve the same classification under both DOT and FERC statutes. In addition, 100 gathering stations having in excess of 300 units and comprising nearly 300,000 horsepower would be reclassified from gathering to transmission.

2. Have these pipelines been subject of dispute between the pipeline operator and state or federal government?

   Wehavehadnodisputeswith federalenforcement personnel regarding our classification of gathering and transmission. A single controversy did occur with one state a number of years ago.

3. What are the costs associated with reclassification?

   With 1200 miles needing to be "converted" under 192.14 and assuming that 10% of that mileage will need replacement due to unknown materials or other reasons we are estimating that approximately 20 million dollars will be required for this work. In addition, some 100 "gathering" compressor stations will need to be "converted" to transmission, and we have not done definitive estimates of costs. We believe however, that the cost will exceed that which we have indicated will be required to convert the pipelines, i.e. exceed 20 million dollars. The total for Northern Natural Gas Company will exceed 40 million dollars.

In summary, we recognize the congressional pressures for RSPA to react to the perceived need for a "clear" gathering line definition. In so doing, however, it is of the utmost importance that the definition coincide with the present classification of these pipelines so that millions of dollars are not spent for reasons other than public safety.

Very truly yours,

Dale L. Coates
Director, Code Compliance
and Standards Unit

DLC/TNV:gmp

cc: Mr. T. L. Kinne, INGAA